commodore

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82-07

DEALER ALERT

FROM: John Gould,
National Sales Manager - Commercial Systems Sales

SUBJ: New Product Introduction

First, let me introduce myself: I'm John Gould and have been with Commodore for the past year as Regional Manager of Region Five in Chicago. I believe in the future of Commodore, the Commodore Dealer Group and the Commodore Product Line. Commodore has the opportunity, the commitment and the resources to become the leader in the U.S. Computer Marketplace. My goal is to help make that possible. However, it can't be done without your help.

Second, Good News!

The enclosed article appeared in last Monday's Wall Street Journal. Although the 64K machine shown at CES and the Emulator are not yet mass-manufactured products, they will be later this year. The newest additions to the product line are strong proof of Commodore's continuing committment to becoming a major factor in the U.S. marketplace.

For the past 18 months, Commodore has been steadily developing a stronger, more professional, better-trained, better supported and better serviced sales organization. Commodore is committed to building the most professional dealer base in the industry for its line of professional computers. Every new product, every new marketing effort is aimed at achieving that goal.

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Consider these facts:

1. In less than one year, the District Sales Manager Staff has more than doubled and is still growing.

2. In the past six months a comprehensive sales support organization has been created and continues to grow.

3. In the past 12 months, Commodore has introduced and delivered to the marketplace:

   a. The VIC 20 and peripherals
   b. The 8023 Printer
   c. The 8300 Printer
   d. The SuperPET
   e. The 2031 Single Disk Drive
   f. The 64K expansion board

4. In addition, Commodore has announced and continues to develop:

   a. Hard Disk storage devices of 6.5, 9.5 and a 20 megabyte capacities.
   b. The 8250 Disk Drive
   c. A new generation of low cost VIC game/entertainment devices.

5. In the past six months, Commodore has begun and will be accelerating a strong national advertising effort.

The announcement of the 64K computer described in the Wall Street Journal Article is a continuation of our product base and market growth. There is a strong possibility that when the new 64K product is introduced, it will be sold primarily through the Commodore Small Business Systems Dealer organization. If you re-examine the WSJ article, you might sense the tremendous opportunities this new product will give you.

Stick with Commodore. Stick with a winner!

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losses, which are estimated at more than $6 billion for 1981, result when institutions pay short-term rates for deposits that exceed their income from largely fixed-rate mortgages.

But most economists expect interest rates to stay high this year, or go even higher, because of huge deficit spending. And data released by the Federal Home

A merger specialist, S&L attorney Ernest Leff, says he would be surprised if the FSLIC could make even a dozen such package deals. He asserts that only a few giant S&Ls are willing to make such deals without a lot of FSLIC compensation. Even then, healthy S&Ls don't want big losers but seek little S&Ls that have small losses, yet still provide the desired market entry.

nancial officer of Chemical Bank, New York, says their difficulties are among the "forces (toward) interstate banking that aren't going to go away." Chemical Bank is one of about a half dozen big commercial banks that have already arranged interstate acquisitions of out-of-state banks, contingent on Congress's eventually allowing such transactions.

New Home Computer That Can Emulate Others Threatens to Shake Up the Industry

By Richard A. Shaffer
Staff Reporter of The Wall Street Journal

The rapidly growing personal-computer business appears headed in a new direction: Machines made by one company soon may be able to emulate those made by any other.

Such a development probably would cut sharply the profitability of the computers themselves, forcing manufacturers to seek their margins in software, the instruction programs that enable the machines to keep books, print paychecks and play games.

Many people expected the change to come in about a year, when new Japanese equipment would emulate International Business Machines Corp.'s personal computer. Instead, a U.S. company seems to be taking the first step.

Commodore International Ltd., Norristown, Pa., plans to make a personal computer that can emulate those of Apple Computer Inc., Tandy Corp., IBM and others but that would sell for a much lower price—less than $1,000. (Competitors' models sell for two to four times as much.)

Aided by one of several special circuits plugged into its back, the Commodore machine will be able to read and operate from programs recorded on magnetic disks for Apple, Tandy, IBM or other computers without modification, the company says. The Commodore machine thus would have immediate access to the largest libraries of financial, text-editing and business programs for personal computers without the need for expensive development on Commodore's part.

"Commodore seems to be moving toward the universal-machine concept, which we all expected the Japanese to do first," says Ulric Weil, who follows the computer industry for Morgan Stanley & Co.

"If Commodore does what it says it will," predicts Mr. Weil, "the hardware side of the personal-computer market will take on a commodity aspect." By that, he means the machines themselves will be comparable in capability and highly competitive in price.

Shipments of the new Commodore machine are scheduled to begin in September, the company says, and the product will be shown for the first time this spring. Commodore won't say where it will introduce the machine, but industry people expect it to appear at a week-long international trade fair that begins April 21 in Hanover, West Germany.

"This is a very important product for us," says Jack Tramiel, Commodore vice chairman and chief executive, who discussed the new computer in Las Vegas Friday during the Winter Consumer Electronics Show.

Rumors that Commodore had developed an inexpensive substitute for Apple computers, known as an emulator, started circulating at the trade show Thursday when Commodore displayed a new computer, the Model 64. Apple stock dropped nearly $2 a share in over-the-counter trading that day.

The Commodore 64 isn't an Apple emulator, but it does appear to match the performance of the Apple II computer and it will retail for $595. A comparable Apple II retails for $1,650. Sales of the Model 64 are supposed to begin this spring.

Commodore International Limited

"We're the American Japanese," says Commodore's chief executive. "We don't want to invent anything; we just want to make sure we have the best."

The microprocessor inside the Model 64, known as a 6510, is an improved version of the one inside the Apple II, called a 6502. Many Apple programs will run on the Commodore machine if entered from the keyboard.

But Commodore says it hasn't any plans to enable the Model 64 to use all Apple II software without modification or to read recorded Apple programs. Charles Winterble, the company's chief engineer, says such an adaptation could be accomplished at "negligible" manufacturing cost.

Commodore says it does plan to offer a plug-in circuit that will give the Model 64 access to programs written for computers that use Z-80 microprocessors and the so-called CP/M operating system. (An operating system is an underlying program that does housekeeping chores for a computer.) Observers at the Las Vegas trade show generally regarded Commodore's planned use of the Z-80 circuit as an effort by the company to capture some of the market for Tandy's Radio Shack line of personal computers.

The Commodore emulator scheduled to become available later this year also will rely on the 6510 microprocessor. Through a slot in its back, the machine will be able to accept other microprocessors, such as the Intel Corp. 8088 used in the IBM personal computer, Commodore says.

The Commodore emulator will be offered in two versions, one with color video display and the other with black-and-white display. Memories of each machine will be able to store and retrieve between 128,000 and 256,000 characters of information.

Some personal-computer industry experts doubt that Commodore can carry out its plans to market emulators. Steven P. Jobs, Apple's chairman and one of its founders, says he isn't worried by Commodore's strategy.

"I think the Apple II has a chance of becoming a commodity product," Mr. Jobs says. "Sooner or later, someone will figure out a less expensive way to build a computer that will run Apple programs. But I'm sure we'll still manage to compete, in the same way that Sony still manages to make a profit even though other companies make turntables that will play the same records that Sony turntables will."

As for the proposed Commodore emulators, Mr. Jobs says he questions whether such products could be made without violating Apple patents, particularly those involving Apple's disk data-storage equipment.

"I take all competition seriously," Mr. Jobs says, "but in this case, I have to force myself. I'll believe it when I see it."

Commodore has been discounted before. Its first entry into the personal-computer market, a machine known as PET (for Personal Electronic Transactor), was widely regarded as a computer with few virtues and several shortcomings. But the PET became popular, and its success is a principal factor in the steady rise of Commodore's earnings from 16 cents a share in 1977 to $2.46 a share in the fiscal year ended last June.

Many of Commodore's computers are sold as consumer products. Although the emulators probably would sell mostly to business and professional customers, Mr. Tramiel says there is a possibility that the new machines could cut into sales of Commodore's existing product line.

"We'd prefer to compete with ourselves than to have someone else compete with us," he says. "We're the American Japanese. We don't want to invent anything; we just want to make sure we have the best."